

ICS Examinations May 2023

Subject: LINER TRADES

Q1. Containerised Trade cargo volume has significantly reduced in the last 6 months and with this also changes to the supply/demand structure of trades which will continue until at least the end of 2023. Explain why this has happened and suggest examples of actions carriers will need to take to correct this.

This essentially comes in two parts and is large subject with a lot of room to score good marks. The global demand reduction and soon over supply is off the charts.

The backdrop a severe reduction in trade volume on the East-West Trades [notably Asia-Europe and Transpacific]. Carriers were slow to react and as a result utilisations have fallen rapidly causing a collapse in spot market rates on EW trades which also cascaded into North/South Trades. The SCFI Index already back to pre-pandemic levels. Whilst new builds were still slow carriers chased utilisation. With trade demand reduction came a decongestion of all major port bottlenecks [like LAX] and China on/off covid policy slowed demand. Students should also mention the Russia/Ukraine war as another factor and the post covid high inflation rates in EU/USA etc which also hit demand. The initial post covid phase can therefore be defined as demand [or lack of it] driven/

This can be summarised by students as the usual fixing methods [although this one is enormous]. Noting the enormous orderbook for delivery 2023 and 2024 summarised as:

- Mass Void sailings
- String Removal and cold lay ups
- Super slow steaming [already global service speeds reduced average 1 knot]
- Service routings via COGH to avoid Suez passage [saves 2 vessels and money]
- Significant Scrapping
- CII [Carbon Intensity Indicator] impact

Q2. Answer ALL parts of the question.

a) Describe as fully as possible the characteristics including dimensions, tonnages, of ONE of the following vessels

a) 4000/5000 Teu Containership [Baby Panamax] or a Roro/Pure Car Carrier vessel

b) Draw a profile and cross section of the vessel.

c) Label the significant parts of the vessel.

d) Give details of one trade the vessel operates in, where it will load carry and discharge its cargo.

Use the world map provided to support your answer.

A good drawing of the selected vessel is required including clear lines and measurements. Trade routes are extensive for all class of vessels.

4000-5000 Teu vessel – still a large fleet segment and many with gear making them flexible / start up vessels in many different trades either as larger feeder vessels or on deep sea trade routes to match lower volume trades. Good Intra-Asia feeder vessel.

Q3. Using the world map provided show a 'Round the World' (RTW) trade route of your choice and analyse the advantages and disadvantages of serving a market in this way.

In simple terms this is a growing trend with the Panama Canal widening allowing a larger ship system with associated economy of scale. Students should expand on this specific item and use some current examples. This can be Asia – USEC – Europe – Asia and return the other way. Some high costs with 2 x canal transits so maybe via CGH is option. There are numerous permutations, but ship size is the key factor. We are looking for students to display a good understanding of the operation.

The advantages are economies of scale using the same slots several times and even hub and spoke at key T/S nodes to maximise the cargo off take. Even local way port feeding double dipping slots further can maximise returns. In past there were negatives against the operation due to exposure on imbalance etc. but given the size of most global carrier and alliance networks this can be used to support the RTW. The disadvantages can be if it only operates one way lessening the advantages and exposure on non-dominant trade sectors [say EUR – Asia].

This could be classed as a more 'open' question but students who study liner shipping should have some good ideas and concepts about such an operation and more so given the recent canal developments.

Q4. Bills of Lading are an important part of international trade. Compare and contrast ALL the following types of bills of lading and how each are used differently depending on the needs of the seller and buyer.

- **Straight bills of lading**
- **'To Order' bills of lading.**
- **Sea Waybills**
- **Bearer Bills of lading**

Straight bill of lading is a non-negotiable bill of lading. It is used where the goods have been paid for or do not require payment such as donations or gifts. Under this bill of lading, the shipping company will deliver the shipment to its consignee on presentation of identification.

To order bill of lading is the one that consignee part of the bill of lading have been completed by writing "to order" only as can be seen on the below example. "To order" means that the bill of lading has been consigned to order of the shipper.

A Seaway Bill of Lading is a document of title used on a trust basis between the Shipper and Importer. This means no Original Bill of Lading is required and goods are automatically authorised for release at destination.

Bearer bill of lading states that delivery will be made to whosoever holds the bill. Such bill may be created explicitly, or it is an order bill that fails to nominate the consignee whether in its original form or through an endorsement in blank. A bearer bill can be negotiated by physical delivery.

Q5. Choose any TWO of the following cargoes. Identify at least TWO major trades on which they are shipped detailing the main ports of loading and discharge. Explain the types of container

equipment used and any special requirements or precautions that need to be taken to protect the cargo.

- A] Avocados**
- B] Chemicals**
- C] Coffee**
- D] Wine**
- E] Scrap Metal**

A] This is a massively growing trade with large volumes being exported from Kenya, South Africa, Mexico [massive], Peru, Chile and numerous other markets. Trade size more than 5 million tonnes and consumption is feeding demand. Requires 40ft HCR and with controlled atmosphere capability to put fruit to sleep [climacteric fruit]. There are other forms of chemical CA in use as well.

B] Chemicals can use a variety of equipment 20fts and 40fts as well as tank containers where chemicals are liquid depending on packaging and trade requirements. The move generally from advanced economies to less developed countries [but can also increasingly move from less developed economies as companies locate to lower cost base. The trade is vast and pretty much any trade lane can be used to describe this.

C] Coffee is largely shipped in 20ft containers with vents [important from hot regions such as Brazil, Vietnam / East Africa etc] and trades on an LCL/FCL contract making the importance of cargo checking procedures to avoid claims.

D] Wine moves on several new world wine routes [ANZ / RSA / USA / Chile etc.] using 20ft and 40ft dry containers as well as tank containers and increasing use of Flexi-tank bags in 20ft containers and 20ft and 40ft refrigerated containers for high value product to protect quality. Old world wines would move intra Europe and exported deep sea as well.

E] Scrap metal is a global trade over 110 million tonnes per annum and quite a lot of this moves in containers [20ft GP's only]. Large trade into Turkey, China, India and Vietnam from Africa, USA, Europe [USA = 25% of world trade]. Key cargo care aspects are packaging [baled vs. loose the former preferred to avoid container damage], some carriers require plywood lining for protection and care must be taken to accept registered exporters avoiding oil residue [engines] etc.

Q6. Explain FOUR of the following and their importance to the carrier.

- i. General Average**
- ii. Himalaya Clause**
- iii. Freight and Lien**
- iv. Return of Containers**
- v. Dangerous Goods**
- vi. Both to blame collision clause.**

Summary of each clause

Q7. Define the principles of yield management and, using a container trade lane of your choice, detail the individual elements of revenue and cost, and how these are calculated for yield. Use examples to support your answer.

Good definition of the principles of yield management. If student gets this part right, then question can be high scoring.

Detail 5 elements being [A] door to door or port to port revenue or total revenue [B] cost of moving the loaded container [C] Imbalance costs? [D] System cost [E] Admin cost. A-C are critical for establishing contribution to fixed costs.

Two examples of where yield management can be effectively employed.

Q8. Explain the key differences between a VSA [Vessel Sharing Agreement] and an SCA [slot charter agreement]. Using examples highlight the advantages and disadvantages of a VSA and SCA

VSA sharing arrangements [and in part Alliances] are the norm and take several forms notably in terms of ownership of a product. A VSA can involve 1 single string with several vessel providers, or it could be 2 or more strings where each line runs a specific string [homogenous fleet]. They work well in terms of co-operation at an operational level but cannot involve commercial discussion.

SCA agreements are becoming a little more common now as consolidation of lines decants into a top 7. They will arise where certain carriers have greater dominance on a trade leg or for ease of operating a single string. They imply an element of weakness for the slot charterer. Operational cost via a slot fee/bunker charge with fixed slots at certain weight etc

This should take the form of some live examples.